

STATE OF LOUISIANA

DEPARTMENT OF ENVIRONMENTAL QUALITY

IN THE MATTER OF:

**PENNINGTON OIL & GAS
INTERESTS, L.L.C.**

AI # 126510, 137661

**PROCEEDINGS UNDER THE LOUISIANA
ENVIRONMENTAL QUALITY ACT
LA. R.S. 30:2001, ET SEQ.**

* **Settlement Tracking No.**
* **SA-AE-08-0019**
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* **Enforcement Tracking No**
* **AE-CN-07-0054**
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SETTLEMENT

The following Settlement is hereby agreed to between Pennington Oil & Gas Interests, L.L.C. ("Respondent") and the Department of Environmental Quality ("DEQ" or "the Department"), under authority granted by the Louisiana Environmental Quality Act, La. R.S. 30:2001, et seq. ("the Act").

I

Respondent is a corporation who owns and/or operates a natural gas well, compression and collection facility (Agency Interest No. 126510) located on Louisiana Highway 984 in Bueche, West Baton Rouge Parish, Louisiana, and a natural gas well, compression and collection facility (Agency Interest No. 137661) located on Louisiana Highway 3091 in Alma, Point Coupee Parish, Louisiana ("the Facility").

II

On August 6, 2007, the Department issued to Respondent a Consolidated Compliance Order and Notice of Potential Penalty, Enforcement No. AE-CN-07-0054, which was based upon the following findings of fact:

The Respondent owns and/or operates Bueche Heirs Well #1 – Profit Island Field, a natural gas well, compression and collection facility located on Louisiana Highway 984 in Bueche, West Baton Rouge Parish, Louisiana (Agency Interest No. 126510). The Respondent owns and/or operates Delapasse #1 Production Facility – False River Field, a natural gas well, compression and collection facility located on Louisiana Highway 3091 in Alma, Point Coupee Parish, Louisiana (Agency Interest No. 137661). Bueche Heirs Well #1 and Delapasse #1 Production Facility treat and handle the flows from the respective wells at those locations. Treating and handling include cooling, scrubbing, and drying the natural gas, then injecting it directly into natural gas pipelines for delivery to downstream recipients. The Bueche Heirs Well #1 facility was constructed and began operation in November 2004 and operates under Air Permit No. 3120-00085-01, issued on or about December 21, 2006. The facility is a minor source under LAC 33:III Chapter 51, Toxic Air Pollutants (TAPs). The Delapasse #1 Production facility was constructed and began operation in September 2005 and operates under Air Permit No. 2260-00084-00, issued on or about August 4, 2006. The facility is a minor source under LAC 33:III Chapter 51, Toxic Air Pollutants (TAPs).

On or about March 8, 2007 a Compliance Evaluation Inspection (CEI) of the Respondent's Bueche Heirs Well #1 facility was performed to determine the degree of compliance with the Act and the Air Quality Regulations. On or about April 12, 2007, a file review of the facility was performed to determine the degree of compliance with the Act and the Air Quality Regulations.

The following violations were noted during the course of the inspection and file review:

- A. The Respondent submitted a Permit Application dated November 1, 2004. Air Permit No. 3120-00085-00 was issued on or about August 9, 2005. However, the Respondent began operation of this facility in late November 2004. Therefore, the facility operated without a permit for nine (9) months. Commencing construction, modification or operation of a facility which will or may result in an initiation or increase in emission of air contaminants, prior

to obtaining an approved permit, is a violation of LAC 33:III.501.C.2, LAC 33:III.501.C.4, and Section 2057(A)(2) of the Act.

- B. At the time of the inspection, a one hundred horsepower (100 hp) compressor pump was in service, utilized to deliver the collected natural gas to the receiving pipeline. According to the facility representative's statement at the time of the inspection, the pump had been in service since January 2007. The compressor is equipment that is not listed on the current Air Permit, and the Department has received no application from the Respondent to modify the current permit to include the compressor. Commencing construction, modification or operation of a facility which will or may result in an initiation or increase in emission of air contaminants, prior to obtaining an approved permit, is a violation of LAC 33:III.501.C.2, LAC 33:III.501.C.4, and Sections 2057(A)(1) and 2057(A)(2) of the Act.

On or about March 8, 2007 a Compliance Evaluation Inspection (CEI) of the Respondent's Delapasse #1 Production Facility was performed to determine the degree of compliance with the Act and the Air Quality Regulations. On or about April 12, 2007, a file review of the facility was performed to determine the degree of compliance with the Act and the Air Quality Regulations.

The following violations were noted during the course of the inspection and file review:

- A. The Respondent submitted a Permit Application dated January 19, 2006. The Permit was issued on or about August 4, 2006. However, the Respondent began operation of this facility in September 2005. Therefore, the facility operated without a permit for eleven (11) months. Commencing construction, modification or operation of a facility which will or may result in an initiation or increase in emission of air contaminants, prior to obtaining an approved permit is a violation of LAC 33:III.501.C.2, LAC 33:III.501.C.4 and Section 2057(A)(2) of the Act.
- B. At the time of the inspection, the Glycol Regenerator Burner Stack, EQT001, was operating at 0.5MM BTU/hr. The application for the current Air Permit describes EQT001 as rated at 0.23MM BTU/hr. Therefore, EQT001 is improperly described in the permit application and is operating in excess of permit limits. Failure to operate a permitted source within the permit limits is a violation of LAC 33:III.501.C.4, and Sections 2057(A)(1) and 2057(A)(2) of the Act.
- C. During the course of the inspection, the control flare, EQT013, operated continually with a smoky flame. Failure to control process upsets which

result in flare smoke is a violation of LAC 33:III.1105.A, and Sections 2057(A)(1) and 2057(A)(2) of the Act.

- D. The Respondent submitted a Permit Application dated January 19, 2006. The Permit was issued on or about August 4, 2006. This facility is an affected facility as defined in 40 CFR 60 para60.480(a)(2). Failure of this facility, within six months of start up, to submit an initial semiannual report of pressure relief devices in gas/vapor service is a violation of Specific Requirement 42 of the permit, of 40 CFR 60 subpart VV, and 40 CFR 60 subpart KKK, and Sections 2057(A)(1) and 2057(A)(2) of the Act.

III

In response to the Consolidated Compliance Order and Notice of Potential Penalty, Respondent made a timely request for a hearing.

IV

Respondent denies it committed any violations or that it is liable for any fines, forfeitures and/or penalties.

V

Nonetheless, Respondent, without making any admission of liability under state or federal statute or regulation, agrees to pay, and the Department agrees to accept, a payment in the amount of EIGHT THOUSAND FOUR HUNDRED AND NO/100 DOLLARS (\$8,400.00), of which Three Hundred Forty-Two and 85/100 Dollars (\$342.85) represents DEQ's enforcement costs, in settlement of the claims set forth in this agreement. The total amount of money expended by Respondent on cash payments to DEQ as described above, shall be considered a civil penalty for tax purposes, as required by La. R.S. 30:2050.7(E)(1).

VI

Respondent further agrees that the Department may consider the inspection report(s), the Consolidated Compliance Order and Notice of Potential Penalty and this Settlement for the purpose

of determining compliance history in connection with any future enforcement or permitting action by the Department against Respondent, and in any such action Respondent shall be estopped from objecting to the above-referenced documents being considered as proving the violations alleged herein for the sole purpose of determining Respondent's compliance history.

VII

This agreement shall be considered a final order of the secretary for all purposes, including, but not limited to, enforcement under La. R.S. 30:2025(G)(2), and Respondent hereby waives any right to administrative or judicial review of the terms of this agreement, except such review as may be required for interpretation of this agreement in any action by the Department to enforce this agreement.

VIII

This settlement is being made in the interest of settling the state's claims and avoiding for both parties the expense and effort involved in litigation or an adjudicatory hearing. In agreeing to the compromise and settlement, the Department considered the factors for issuing civil penalties set forth in LSA- R. S. 30:2025(E) of the Act.

IX

The Respondent has caused a public notice advertisement to be placed in the official journal of the parish governing authority in West Baton Rouge Parish and Point Coupee Parish, Louisiana. The advertisement, in form, wording, and size approved by the Department, announced the availability of this settlement for public view and comment and the opportunity for a public hearing. Respondent has submitted a proof-of-publication affidavit to the Department and, as of the date this Settlement is executed on behalf of the Department, more than forty-five (45) days have elapsed since publication of the notice.

X

Payment is to be made within ten (10) days from notice of the Secretary's signature. If payment is not received within that time, this Agreement is voidable at the option of the Department. Payments are to be made by check, payable to the Department of Environmental Quality, and mailed or delivered to the attention of Accountant Administrator, Financial Services Division, Department of Environmental Quality, Post Office Box 4303, Baton Rouge, Louisiana, 70821-4303. Each payment shall be accompanied by a completed Settlement Payment Form (Exhibit A).

XI

In consideration of the above, any claims for penalties are hereby compromised and settled in accordance with the terms of this Settlement.

XII

Each undersigned representative of the parties certifies that he or she is fully authorized to execute this Settlement Agreement on behalf of his or her respective party, and to legally bind such party to its terms and conditions.

**PENNINGTON OIL & GAS INTERESTS,
L.L.C.**

BY: _____
(Signature)

(Print)

TITLE: _____

THUS DONE AND SIGNED in duplicate original before me this _____ day of
_____, 20 _____, at _____.

NOTARY PUBLIC (ID # _____)

(Print)

**LOUISIANA DEPARTMENT OF
ENVIRONMENTAL QUALITY**
Harold Leggett, Ph.D., Secretary

BY: _____
Peggy M. Hatch, Assistant Secretary
Office of Environmental Compliance

THUS DONE AND SIGNED in duplicate original before me this _____ day of
_____, 20 _____, at Baton Rouge, Louisiana.

NOTARY PUBLIC (ID # _____)

(Print)

Approved: _____


Peggy M. Hatch, Assistant Secretary